National Grid Response to Industry's Comments on the Draft of STOR Standard Contract Terms Issue 3

	Comments	SCT Ref	National Grid Response
1	The proposals may well result in different providers being on different terms and potentially different units within a provider's portfolio ending up on different terms if one or more units are on a long term contract and other units are on short term contracts. Transparency may suffer in what is currently one of the more open services with regard to market information and this would also be of some concern.	1.2	
2	A first principle in approaching changes to existing terms should be that the provider should not be adversely affected by the changes. Whilst a change to the payments might be negotiated to mitigate any effect, the final agreement as to whether a change is implemented should be with the affected provider. Otherwise the provider runs the risk of failing to reach agreement on a new price and their only recourse is then through potentially expensive legal routes. Even if the effect of a proposed change is difficult to assess in financial terms, it should be a right of the provider to continue under the existing terms and thus, if an appropriate price change or other change can not be agreed, then the framework agreement should simply be changed to dis-apply the change and to insert the previously existing terms.	1.2	
3	This should be clearly stated and if other discussions have failed to reach agreement should be the default to which the terms revert. If, as has been proposed, the right to terminate is removed from the provider, then they should have the absolute right to continue on the prevailing terms at the time of a change proposal. As mentioned, this could result in multiple versions of contract terms being applied across different providers, which at the time of STOR implementation it was the intention to avoid (and hence the right to terminate was introduced along with the restriction to apply changes only at the start of a STOR year). However, this can arise under the proposed changes and so I do not see any additional concerns that would arise.	1.2	Clause 1.2 has been amended to clarify that for commercial changes, if National Grid and providers cannot agree on the special condition in the Framework Agreement or on the proposed contract prices, both parties could refer the matter to Expert or decide to dis-apply the change and stay with the old version of SCT.
4	As discussed the STOR provider will also need to protect himself (and NGC protect themselves) by the insertion of a change in legislation clause that reopens the contract should a significant change occur. No one can forecast what the electricity industry will look like in years to come. For example if emission limits tighten GT's may be forced to fit SCR at a high cost or close (as coal are currently having to fit FGD) A contracted STOR provider could not be expected to take this cost without passing it through.		Providers could raise a concern due to a change in law and National Grid would consider it and may raise a Proposal to SCTs if National Grid believes such change would significantly impact on STOR providers.
5	Triad payments for non BM providers are a major issue as discussed. The only current option is to opt for flexible windows in seasons 5 and 6. The option to be able to commit to the morning windows in seasons 5 & 6 would be attractive. If the STOR provider opts to ignore triad payments and bid for the full committed service the availability payment would have to increase by about 100% to capture the same annul revenue (based on an availability payment of £80MWh) hence this is not going to work.		National Grid would consider semi-committed service in the next STOR Review
6	3.2.22 – I don't believe this clause will work as you wish, nor is it fair. Example: a reserve provider has a problem and can't make the technical parameters. Options for the provider, assuming that 10 calls are received in a month: Ignore the problem and incur EoDs: the availability payments are reduced by 10% (and in many cases this is all the reduction that will occur, Request a change to the technical parameters: the availability payments are reduced by 50%.Clearly the provider is incentivised to keep the technical capability problem secret.	3.2.22	National Grid appreciates that technical parameter change could be a potentialrisk to providers under longer-term contract and attempted to address the issue by introducing new clause 2.2.15 and 3.2.22. However the feedback we received from the industry suggested the mechanism requires further considerations. Therefore National Grid decided to remove 2.2.15 and 3.2.22 at this time and will consult the internal and external stakeholders in the next STOR review to come up with a robust mechanism to allow providers to change their technical parameters and also protect National Grid from losing the value of longer-term contract.
7	STOR providers will also not be bale to change the declared available capacity to take account of technical changes that may occur on at least an annual basis.		In the next STOR review, National Grid would consider introducing a mechanism to allow providers to change their technical parameters under a longer-term contract due to a unforeseen technical problem. However National Grid wouldn't consent a frequent technical changes as suggested.
8	Credit cover will also be an issue for STOR providers particularly those building new in that they will probably look for some form of payment guarantee from NGC		In accordance with the feedback from the STOR workshop, National Grid would not provide any financial support to new providers. The payment will commence from the commencement of provision of the service.
9	I can also envisage that over the next 10 years the STOR market will continue to change, as will the SCTs accordingly. However, being committed to a long-term contract which may, or may not, reflect these changes could be viewed as a risk that could not be hedged and therefore a barrier to long-term tenders. Particularly for potential new providers who would have to invest capital in new build. I have tried to come up with a potential solution and would propose the following: If the SCTs changed significantly then those contracted providers would have the option to either stay on their existing contract or re-tender. If they re-tender then NGET can assess it as a new tender. If the long-term contract was originally entered with up-front capital payments included, then NGET could always include a clause which reviewed the payments pending early termination		National Grid has introduced clause 1.2, the governance provisions to facilitate SCTs change procedures.
10	1.3.6 Should this not be *one* or more Subsequent Years? As it is, two or more Subsequent Years would be out to year three. Also, the requirement to agree indexation terms in the Framework Agreement before tendering seems cumbersome. Could there be a way of merely specifying the indexation (using the methodology statement) in the tender submission?	1.3.6	National Grid has amended this clause.
11	1.4.3 I am surprised that the invitation for tenders for Subsequent years will be at National Grid's discretion. I would have thought that certainty over the ability to tender would be preferable and whether or not a tender is accepted is then at National Grid's discretion (in line with the assessment principles).	1.4.3	National Grid has removed this paragraph. The invitation to tender pack will contain all the tender details.
12	2.2.15 The automatic 50% reduction in availability payments for a change in technical parameters does not seem like a proportionate change. National Grid might for example get an offer for improved technical parameters (particularly where a long-term contract is involved).	2.2.15	National Grid would consider introducing a mechanism to allow providers to improve their technical parameters in the next STOR review. Therefore clause 2.2.15 and 3.3.22 have been removed.
13	2.3.10 (b) We think that this should refer to the first period *after* the unit has been instructed to zero. Does this need to be in writing? Could it not be automated?	2.3.10(b)	National Grid has amended the clause.
14	Definition of 'Recovery Period' The definition does not make it clear what the term is intended to represent. Also, it ought not to refer to the expiry of the Cease Time without reference to a particular event, since Cease Time is a period of time and not a point in time. I.e. as it is drafted, if a unit has a 2 minute Cease Time, then the Recovery Period is: for the period specified in the STOR contract which commences upon expiry of two minutes. I suggest that the previous definition is more robust since it specifies a starting point.	Definition	The definition of Recovery Period has been amended as followings: the period of time specified in the STOR Contract which commences upon expiry of the Cease Time and for which the contracted unit/site is not available to be despatched.
15	Definition of 'Technical Parameters' The word 'in' has been lost, which seems critical. Without it, it is not clear where the parameters are described.	Definition	Technical Parameters Definition has been amended.
16	3.3.12 – I am strongly opposed to this change. In the new version, a call during an optional window can delete all availability payments during the next contracted availability window. This is a substantial disincentive NOT to offer during optional windows, or to offer at very high optional prices, because the gain during the optional running has to exceed the loss during the following window. The previous version was a disincentive towards unduly long recovery periods, and achieved its goal. This new version adds nothing to that, and will either subtract optional capacity or add cost.	3.3.12	National Grid needs to monitor providers' availability. If a provider is called to provide reserve during an optional window and their recovering period overlaps the next contracted availability window, then the provider is deemed unavailable.
17	3.4.5 – The definition of Deemed Rejected Instruction Volume seems unclear. As I understand it, it will have no effect on us, because we are auto start – again provided that SRD works! This means that we never reject an instruction, and so will never see a deemed rejected instruction volume.	3.4.5	Deemed Rejected Instruction Volume is defined as Contracted MWs times 1 hour. Please see the amended definition
18	There is a difference between SRD as "STOR Metering Equipment" and the actual measuring instruments that feed the data into SRD. National Grid needs to engage with this side of it properly. I think the importance of this issue has simply been missed. SRD is not metering equipment, it is a comms box.	3.13.1	National Grid has amended 3.13.1 that Non-BM providers are required to provide minute by minute metering data and STOR Despatch is a communication tool.
19	We do not believe that a generator should be penalised for coming on slightly early (or for returning to zero slightly late) in response to a BOA instruction as the generator will already be exposed to cashout outwith the BOA times. In addition, setting a limit of 0.5 MWh for the settlement periods before and after the instruction seems a bit arbitrary and disadvantages fast-ramping BMUs with a high level of contracted MW. For example, if a BMU of 40 MW starts ramping 1 minute early in the previous settlement period, it will be over the 0.5 MWh limit. This will entail losing the availability payment for the whole window and can put a wrong incentive on the provider to come on late as the penalty for being late consists only in the loss of availability payments from the end of the response time. To make it fairer, maybe the check limit could be linked to the size of the contracted MW? However, we feel that this additional penalty is not necessary under the contract as the generator is already exposed to cashout in the balancing mechanism.	2.3.10	National Grid agrees that an Event of Default will not be incurred and will review on a case by case basis if a provider comes on early or comes off late. Therefore this clause has been removed as not needed.